T·E·WEALTH

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STRATEGIES

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# 15 ways Canadians can flourish financially in a COVID-19 world

COVID-19 has brought wide-sweeping change. The silver lining with any change is that it opens the door to new opportunities. Here are 15 thoughts on how a financial planner views moments in a time like this:

1. You now have more time to get your taxes prepared. You also have more time to pay your taxes for 2019 and your instalments for 2020.
2. Those of you with RRIF or LIF accounts are familiar with your requirement to take a minimum withdrawal each year which is fully taxable as income. This year, the minimum payment will be adjusted downward by 25% which will allow you to report less income on your tax return. Given the situation, this may also preserve some of your OAS if you're currently being fully or partially clawed back. Cash flow could potentially be replaced by withdrawing the additional 25% from your non-registered account this year.
3. Somewhat surprisingly, the Government of Canada has recently confirmed that if you had previously withdrawn your original RRIF minimum payment earlier in 2020, that you will not be permitted to re-contribute the 25% excess withdrawal back into your RRIF.
4. Let's recognize that stock markets are down. Let's also recognize that they'll go back up. How can we turn this moment into an opportunity?
5. If you make more money than your spouse, spousal loans are a great way to shift income. Now might be a great time to initiate new spousal loans because portfolio values are lower than they used to be and the eventual recovery could be captured by your lower income spouse.
6. In other circumstances (typically in retirement after age 65+ when RRIF, LIF, and pension income can be split between spouses), previous spousal loans can lose their merit. In some cases, it's too costly from a capital gains perspective to repatriate funds back to the original spouse, so these loans remain in place for longer than they need to. If your portfolio has fallen in value then the capital gains cost to unwind a spousal loan may no longer be a detriment. You could look at this time as an opportunity to repatriate the loan and tidy up your overall affairs.

## Editor's note

When life is uncertain, knowledge can be our most reliable anchor. It can focus our attention on what actions we need to take in order to realize the best possible outcome. As you sift through the avalanche of information sweeping over the world these days, we urge you to mind that old adage: consider the source. Stick with the experts who have witnessed changes over time in their field, and can interpret those changes through a lens of expertise that's been honed for decades. This will likely give you a more balanced perspective and practical course of action. One that will help you manage your health, your finances and your sanity. As the COVID story unfolds, we wish you well in all of these areas and are here to help in any way that we can.

*Lucy Conte, Editor-in-chief*

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7. If you reported taxable capital gains on your previous three tax returns, you may look to trigger a capital loss today which you could carry back against those gains. The losses could also be carried forward and applied against gains in the future.

8. If you have a plan to unwind your RRIF, LIF, or investment holding company over the next several years, then you could look at this as an opportunity to extract some money out of those accounts now at their lower values (pay the tax on the dividend or RRIF/LIF income) and then shift your money into a personal non-registered account or TFSA to be better positioned for recovering equity values as we move forward.

9. Beware of superficial losses when selling anything at a loss. Your loss will be denied if you or someone affiliated to you re-acquires the same shares within 30 days of your sale. It's important right now to not be out of the market, so consider buying something with a high correlation for the interim 30 day wait period. Once the 30 days are over, you can sell the replacement security and buy back into your original investment.

10. For others, now might be a good time to extract a taxable (EAP) withdrawal from an RESP plan. If your child is in post-secondary school, they will be taxed on the income. An EAP withdrawal now will allow you to take more investment units out now at a lower tax impact to your child. This money does not need to be spent right now! Instead, transfer it into your TFSA, or the TFSA of your child and store it there for future education expenses. The upside growth inside the TFSA will be tax-free, whereas it will be taxable to your child if left in the RESP. I'll take tax-free growth over tax-deferred growth any day of the week.

> **"I'll take tax-free growth over tax-deferred growth any day of the week."**

11. The same goes for the PSE (non-taxable education withdrawal) portion of a RESP. This could be aggressively withdrawn and transferred into TFSA accounts. If you or your children have unused TFSA room, request every single dollar of available PSE withdrawals to shift money out of RESPs and into TFSAs. If your child is in post-secondary school, then there's no limit on PSE withdrawals; use the withdrawal rules to your advantage.

12. Mortgage rates have also been volatile in this environment. It's worth a check-in email with your lender to see if there are any opportunities for you to renegotiate your mortgage now or if it makes sense to wait. It doesn't hurt to ask.

13. We're living in unsettled times. Here's some advice I've been telling my clients. Close your eyes and picture the world two weeks from now… what do you see? When I do that the future is murky and uncertain. Now do it again and extend the timeline. Try to envision the world a year from now. When I do that, it's hard to imagine that we won't be back to a very similar day-to-day lifestyle that we're accustomed to.

14. Normalcy will return. The timeline is unknown, but we will get there. If we know where we are going then let's take advantage of what we can do today to position ourselves best for that future.

15. Talk to your team of professionals. We are here for you.

*Aaron Hector*
*Vice President & Financial Consultant*
*Doherty & Bryant Financial Strategists*

# Long-term dividend investment approach helps offset volatility

The global response to the Covid-19 threat has been likened to a war. It was into a world much like this, coincidentally, that Leon Frazer began offering an investment approach that works just as well in the current pandemic as it did back in 1939 at the outset of World War II. As a Canadian Dividend Equity Manager, I have witnessed the efficacy of this approach play out over time.

Back then, in order to protect the purchasing power of investors it was important to own shares in companies built on a solid foundation, which offered products or services that had staying power over time. This included investing in organizations like financial institutions, utilities and telecommunications.
Leon believed these companies were particularly attractive because they paid dividends that grew as the companies themselves grew. During periods of economic uncertainty, they would continue paying their regular dividend, thus providing investors with a steady cash income despite fluctuating share prices. The power of growing dividends over time resulted in both growing income as well as capital appreciation.

Given the way the Covid-19 scenario has progressed globally, we don't expect the current battle to last much longer than another month or two. In all likelihood, you've been homebound much like me, my family and my colleagues. You're also probably aware of the recent volatility in global markets and with the rapid pull back in equity markets in particular. I hope you also take time to notice that your lights are still on, you still have hot water for your shower, and you can still communicate with the world at the speed of light. The companies that provide these services are typical of those which fall in the solid foundations (mentioned above), and are aligned with the investment philosophy I'm describing. They continue to pay their dividends and, in fact, nearly half of them have already increased their dividend this year.

The dividend philosophy is fairly straightforward. This approach not only identifies companies which manage their business and finances in a way that provides growing dividends, but also focuses on "time in the markets, not market timing." Attempting to exit the equity markets to avoid weakness and then re-enter it once the worst has passed is, at best, a mugs game. When a bottom is formed, it's often when pessimism is peaking and actually putting money back in is something few people can do – and certainly those who are avoiding market volatility cannot bring themselves to do. Once there's a sense that the worst is over, the markets have already responded and you would do well to re-enter the market at the place you left it. What's missed are all of the dividends that continued to flow to those who remained in. And that's the best case scenario.

Staying in the market with quality, dividend paying stocks lets you continue to collect dividends and grow your capital in good times and bad. It's one approach that has worked since 1939, and continues to work today.

*Gil Lamothe*
*Vice President & Senior Portfolio Manager*
*Leon Frazer & Associates*

# Confronting the economic realities of Covid-19

The ongoing Covid-19 crisis shapes the lives of Canadians in countless ways. Millions of individuals and families seek emergency government support, investors nervously watch stock markets swing up and down wildly, and front-line health professionals exhaust themselves to save others. "What's next?", quite understandably, is a question on many minds as we all adapt to life in a new world.

No one can answer that question with full confidence, and anyone who claims they can is simply wrong. Yet, in looking carefully at the responses of policy makers, businesses, and individual Canadians, a faint picture emerges that offers some comfort that we will, in fact, get through this together.

### We're entering a sustained recession

According to Bank of Canada's recently released quarterly Business Outlook Survey, business sentiment in Canada was already heading downhill "before the Covid-19 shock intensified". That downward trend is getting much steeper now that we're all dealing with the devastating economic impacts of Covid-19 across the country. In other words, entering into a prolonged recession is a certainty; the only variables are how deep and how long.

Taking a global perspective, IMF Managing Director Kristalina Georgieva was stark in her assessment of the new reality. "We have witnessed the world economy coming to a standstill. We are now in recession. It is way worse than the global financial crisis."

### Vastly expanding roles for government

Many politicians are calling the crisis a war on Covid, with government and industry mobilizing to fight a highly lethal foe. And while this war theme can get overdone, there's no question that from an economic perspective, the Government of Canada is expanding in terms of scope and scale in ways we've not seen since the Second World War.

> "Big governments are here to stay for the long haul."

In my view, expanded governments will be part of our lives for years to come, and this will cost us all in the form of higher taxes. Some Canadians will chafe at this, while others will welcome it. Either way, big governments are here to stay for the long haul.

### Canada's resilient financial sector

Directly or indirectly, the investment plans of practically every Canadian are tied in some ways to the financial sector. And to put it mildly, that vital sector is under a series of enormous pressures. Yet stressed though it may be, Canada's financial sector is so far holding up for many reasons, not least of which are the underlying strengths of Canada's well-run and well-regulated financial institutions.

Resilience is often used to describe institutions lending to Canadians – as an example of financial services – and the

regulations governing those lending practices. Using "resilience" and its many synonyms also sends a message of confidence to Canadians, as OSFI Superintendent Jeremy Rudin made a point of stressing in his statement earlier this month. "Canadians can have confidence in our financial system during these current extraordinary times," he wrote, "because it is resilient and well prepared."

### Energy sector getting pummelled

The energy sector, though, is another story. Free-falling oil prices, languid demand and surging supplies conspire to test this sector – one of Canada's most important – like never before.

Writing recently in *The Financial Post*, leading energy economist Peter Tertzakian warned about the widespread effects these strains have on everyone. "A societal disruption of this magnitude affects the suppliers and consumers of energy, and everything in between. Because 'everything in between' spans the continent, this looming system-wide issue isn't exclusive to Western Canada's oilfields. The entire system is affected."

> **"The pace and shape of energy's recovery are both uncertain."**

Canada's energy sector, like most other sectors in our economy, will rebound. But the pace and shape of energy's recovery are both uncertain and somewhat distant. That's worrisome, especially (but not only) for Western Canada. Governments and Canadians across the country rely on the energy sector for employment, tax revenues and investment returns.

### The broader economy is on pause

Entire swaths of the broader economy are effectively on indefinite pause. Canadians working in tourism, hospitality and culture are among the millions applying for emergency government support as their employers reel from and react to precipitous crashes in customer demand.

Likewise, real estate is getting walloped. Sales figures for March in Toronto, for instance, showed ongoing vigour at the front of the month. Things then fell off a cliff at the back end. "The overall sales result for March was strong relative to last year," said Toronto Real Estate Board President Michael Collins in reporting these figures. "But the impact of COVID-19 was certainly evident in the number of sales reported in the second half of March." Collins and many others in Canada's real estate market will watch April's figures very carefully for signs of trends one way or another.

### Innovation in the isolation

Covid hits entrepreneurs particularly harshly, with revenues for countless small businesses drying up almost overnight. Caught in nightmare realities well beyond their control, thousands of entrepreneurs had little choice but to lay off millions of staff, at least temporarily. Add to that the emotional tolls of seeing small businesses falter, if not collapse outright, and the tangible and intangible costs of Covid on entrepreneurs are almost impossible to measure.

There's innovation to be found in the isolation of physical distancing, however. Entrepreneurship always finds a way. And this is a source of hope.

Faced with existential crises, many business owners rapidly embraced online capabilities to not only survive but – in modest ways, perhaps – actually thrive in a Covid economy. In a similar spirit, Canadians are adapting their skills to new endeavours, neighbours are looking after each other, and an enhanced sense of collective effort fuels the country forward.

Standing apart brings us together. And that's the image – and the reality – that I think we need to focus on as we move through and beyond this pandemic.

*Steven Bright, a longtime client of the firm, has worked in and written about financial services for more than 25 years. You can find him on LinkedIn.*

# Chasing happiness: what makes for a good life?

## An interview with happiness expert Paul Krismer (Part 1 of 2)

*Paul Krismer*

For some, life in Covid quarantine means a longer – more stressful – work day, a sink perpetually full of dirty dishes, and becoming a generalist in everything from home schooling to hairdressing. For others, its given way to more idle hours in the day than one could ever possibly know what to do with (I believe this may be responsible for the flour shortage). No matter what has been thrown at you, there's a good chance the change of pace has given you pause for greater reflection on what truly matters.

Keynote speaker, certified executive coach and best-selling author Paul Krismer is one of Canada's leading happiness experts. In this two-part interview, he brings us a little closer to answering that timeless question: what makes for a good life?

**Why do we sometimes sabotage our own happiness, and how can we try to change that behaviour?**

There are numerous reasons and they vary by individual, however, a particular theme applies to almost all of us. Our western culture — which is rapidly being adopted around the world — teaches us a formula for life that's fundamentally flawed. We're taught from a young age that if we work hard, stay focused and persevere until the end, we can accomplish tasks and acquire things. Following this, you'll be happy. Simply put, the formula is: get things and be recognized for achievements, and your success will make you feel good about your life. Though there's an element of truth to this, much of the happiness acquired in this way is short lived. For example, we really do get a blast of happiness when we buy a new pair of shoes, but two weeks later the new shoes have an identical emotional quality to the old pair of shoes.

This formula excludes the life circumstances that are scientifically known to make us happy. We need activities that give us states of flow, and we need values that are personally meaningful to guide our actions. This requires thoughtful consideration of which day-to-day activities give us satisfaction and get us "in the zone." It differs from person to person. I love to teach, so when I'm working as a speaker or trainer, I'm in my zone. Time flies by and I'm enjoying the day. For many people (well over the majority, according to Gallup) work is profoundly disengaging.

Most of us haven't considered and actively chosen our values. When we live a life that's inconsistent with our deeper motivations, we're unhappy and feel lost. The cure is to consciously choose your values. When you know what gives you purpose and a strong sense of intrinsic meaning, your actions naturally flow in a way that is consistent with your values.

**When life circumstances limit the degree to which we can pursue meaningful interests, what can we do to attain greater fulfillment within our situation?**

If you can become really clear about what your most important values are, you can

carve out even small allotments of time to do what's meaningful to you.

One way to get in touch with what you value most is to develop a mindfulness practice. Busy lives lead to a lot of mental chatter about things we regret from the past, or worry about for the future. Learning to meditate for just a few minutes each day can make a world of difference. It helps turn down the volume of mental chatter and allows us to take more pleasure in the little things that occur in everyday life. Science shows that new meditators, with just eight weeks of practice, develop thicker brain tissue in the left prefrontal cortex. This region of the brain is associated with emotional regulation—feeling content.

### How can people who struggle to reach out to others create greater connection in their lives?

We know that social isolation is a source of profound unhappiness and it's a problem not only under quarantine, but increasingly in the modern world. Society is less and less structured for long-lasting, deep relationships. We live far from family. We work in impersonal, large organizations. Most of us don't even know our neighbours. The cure for this problem is relatively simple, but can be difficult in practice.

Start easy – call your mom! Or engage with another family member ritualistically through a video call. The emotional context seen in facial expressions hugely increases the level of connection you have with another person. And everyone can master this simple, modern technology.

Joining a group online—be it a social cause, a hobby, or academic pursuit – is a great way to meet people and get enjoyable social interaction on a regular basis. If you stick with it, friends will emerge.

### What's one of the most important questions a person should ask themselves when trying to carve out their best life?

First of all, I encourage people to become aware of the false promises that come from our consumer culture. There's no lasting happiness in shopping. Materialism has been shown through quality research to consistently lead to less happy lives. Yet western society is bombarded daily with thousands of messages declaring that stuff you can buy will make you happier, more popular, sexier, healthier, etc.

Of course, it's important to plan for your future so you can have some reassurance that you'll be able to meet all your basic biological needs. But after meeting those needs, more wealth does not result in more happiness. With this in mind, what should we do to carve out our best lives?

Ask yourself this question: How will I pursue a life that's consistent with my chosen values? If you know the reason why you wake up every morning—the purpose that fuels an intrinsically satisfying motivation—then you need not concern yourself with what to do. Behaviours follow naturally from your carefully selected and prioritized values. Your actions will take you in the right direction. This kind of life satisfaction is not measured by the minute-to-minute question of "am I happy now?" Instead, it unfolds over months, years and decades.

People who actively invest in being happier, and in acquiring the knowledge needed to help them be happier, in fact, do become happier.

How happy are you? Take Paul's happiness assessment quiz at https://www.happinessexperts.ca/survey-registration/.

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*Paul Krismer is the Chief Happiness Officer and founder of the Happiness Experts Company. He is a noted public speaker and trainer.*

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*Lucy Conte, Editor-in-chief*

# Coming together with CWB Financial Group

In early March, I wrote to let you know that our parent company would be changing to CWB Financial Group subject to final closing of the transaction. As the closing date approaches, I'd like to share with you some of the features which appealed to, and were factors in, CWB's decision to purchase T.E. Wealth and Leon Frazer & Associates.

Progress is best accomplished when core values are aligned. As noted by Chris Fowler, CWB's CEO and president, in a March 2, 2020 press release, "We are committed to accelerating the growth of our boutique full-service offering for successful business families. T.E. and Leon Frazer bring recognized talent and scale to our key markets and we believe these teams will be an excellent fit with our people-first, relationship-focused culture." We have always kept an eye on how our actions will impact clients and employees alike before moving in a new direction, and are pleased to know we'll be working with an organization that shares this approach.

Matt Evans, President and CEO of CWB Wealth Management, echoed Chris Fowler's sentiment on the importance of a relationship-centric process in that same release. "We are very excited to welcome T.E. Wealth and Leon Frazer to the CWB family. Both are deeply established businesses with highly respected investment counsellors who maintain trusted client relationships, in many cases going back several generations.

It's truly rewarding to have a third party recognize the value our team brings, our approach to managing client assets over many generations and the importance of you, our clients. We look forward to collaborating with CWB on new ways to enrich your experience with us, and continue to welcome your input as we move forward.

Here's a bit more about CWB Financial Group:

**CWB's Beginnings:** CWB was founded 35 years ago, during a time of economic uncertainty. Canadian business owners were struggling to get the financing they needed to thrive, and CWB stepped up to support them. Since then, they've grown with these, and many other individual Canadians, offering a range of financial services.

**CWB Services:** CWB Financial Group is a diversified financial services organization that provides specialized service across Canada in business and personal banking, equipment financing, trust services and wealth management.

**CWB Values:** CWB's values embrace participation in the growth, development and sustainability of their communities; providing an equitable and inclusive environment for a diverse workforce; and reducing their environmental footprint by managing GHG emissions, waste and a sustainable infrastructure.

*Mark Arthur, CEO*
*T.E. Wealth and Leon Frazer & Associates*

*Learn more about CWB Financial Group at https://www.cwb.com*

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